



October 20, 2011

Dear Fee for Service Providers:

**TRANSITION OF THE INTEGRATED SYSTEM (IS)
TO MEET HIPAA 5010 REQUIREMENTS**

As I am sure you are aware, federal regulations require that all electronic administrative and financial health care transactions utilize the new 5010 standards by January 1, 2012, to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). As of that date, federal law prohibits the transmission of these transactions in non-compliant formats.

As a result, the California Department of Health Care Services (CDHCS) will only accept 5010 compliant claims beginning January 1, 2012. Therefore, the Los Angeles County Department of Mental Health (DMH) will not be able to transmit claims to the State for several months while upgrades and testing of the Integrated System (IS) are completed.

In addition, effective January 1, 2012, DMH will not be able to accept claims from providers using Electronic Data Interchange (EDI) until both the provider's EDI and the IS are fully compliant with the new 5010 standards.

Timeline for IS Implementation of 5010 Standards

DMH will send its last submission of HIPAA version 4010 claims on or before December 23, 2011. **Based on this date, claims entered into the IS after November 15, 2011, for EDI providers and after November 16, 2011, for Direct Data Entry (DDE) providers will not be sent to the State until after the IS has been upgraded to the 5010 format.**

DMH anticipates that the IS will be upgraded and on-line for entry of 5010 compliant transactions in February or March 2012, with the first claim submissions to the State under the new format in either March or April 2012. EDI providers will be able to test submission of their 5010-compliant claims to the IS in either January or February 2012.

Impact on Claim Submission

In accordance with the requirements of Provider Bulletin Fourth Edition Issue 5, Claim Submission Guidelines, and in order to prevent claims from "timing out," it is critical that providers **submit all outstanding claims for services through September 30, 2011, no later than November 15, 2011, for EDI providers and November 16, 2011, for DDE providers.** Submitting your claims by these dates is necessary to allow DMH adequate time to process and pay you and allow us to meet Certified Public Expenditure requirements and submit the claims to the State by December 23, 2011. In addition, by the same dates,

providers should submit as many claims as possible for services that were rendered in October and November 2011 in order to reduce the need to obtain a good cause late code from the State.

While CDHCS has indicated that it will provide a good cause late code for use on claims delayed for more than six months as a result of the implementation, such late code will not allow providers to submit original claims that are more than 12 months from the month of service. **Therefore, claims for services rendered in April 2011 or prior must be submitted with the appropriate good cause late code before the November 15th and 16th deadlines or they will be rejected or denied once we are able to transmit claims to the State.** The late code that is assigned to these claims must relate to why the claims were not submitted within the usual claim submission period. The late code provided for 5010 implementation delays cannot be used on claims submitted on or before November 16, 2011.

Please note that there will be **NO EXCEPTIONS PROVIDED TO THE ABOVE DATES.**

Effect of Transition on Monthly Payments to DDE Providers

DDE providers should continue to enter their claims into the IS after November 16, 2011. The claims will be converted by DMH and its third-party vendor, Sierra Systems, to the required 5010 format prior to the claims being submitted to the State. Monthly payments to DDE providers will be based on claims entered into the IS.

Where appropriate, Providers should add the State-provided good cause late code for 5010 implementation to claims submitted after November 16, 2011. Instructions regarding the late code and the parameters for its use will be distributed through a Provider Bulletin and IS Alert on or about November 1, 2011.

The implementation of the 5010 requirements may require a temporary shutdown of the IS for up to two weeks in February or March 2012. If a shutdown is required, providers will be advised through a Provider Bulletin and IS Alert.

Effect of Transition on Monthly Payments to EDI Providers

EDI providers should continue to submit claims through their existing EDI programs after November 15, 2011, through December 31, 2011. DMH and its third-party vendor, Sierra Systems, will convert these claims to a 5010 compliant format before the claims are submitted to the State. Payments to EDI providers for January and February 2012 will be based on claims submitted by December 13, 2011, and January 17, 2012, respectively. EDI providers can continue to submit claims to DMH after December 31, 2011 by using the DDE component of the IS.

If an EDI provider converts to 5010-compliant software prior to January 1, 2012, and cannot generate HIPAA version 4010 claims to the IS, the provider will need to submit these claims to the IS using direct data entry in order to receive payments in January and/or February 2012.

Starting January 1, 2012, DMH may not legally accept non-compliant transactions through EDI. Therefore, EDI providers have one of three options for claims that would normally be submitted between January 1, 2012, and the date that the providers and the IS are HIPAA 5010 compliant. These options are:

- Enter all claims through DDE;
- Enter high priority claims through DDE and hold the remaining claims until such time as they can be transmitted in a HIPAA 5010 format;
- Hold all claims until they can be transmitted in a HIPAA 5010 format.

Note that DMH payments will be based on claims submitted to the IS; therefore, providers are encouraged to submit claims through DDE during this timeframe.

Where appropriate, providers should add the State-provided good cause late code for 5010 implementation to claims submitted after November 15, 2011. Instructions regarding the late code and the parameters for its use will be distributed through a Provider Bulletin and IS Alert on or about November 1, 2011.

Conclusion

Please continue to monitor both the Provider Bulletins and IS Alerts for further information.

If you or your staff has any questions, please contact Provider Relations at (213) 738-3311.

Sincerely,



Robin Kay, Ph.D.
Chief Deputy Director

RK:PW

c: Executive Management Team - DMH
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